

CITY OF ALLISON, IOWA

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
JULY 1, 2014 THROUGH JUNE 30, 2015

- Prepared By -

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CITY OF ALLISON, IOWA

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CITY OF ALLISON, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Scot Henrichs	Mayor	January 2016
Jerry Platter	Mayor Pro tem	January 2016
James Blockhus	Council Member	January 2016
Janis Cramer	Council Member	January 2016
Ron Davis	Council Member	January 2018
Ryan Henrichs	Council Member	January 2018
Glenda Miller	Clerk/Treasurer	Indefinite
Martin Peterson	Attorney	Indefinite



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURES

To the Honorable Mayor and
Members of the City Council:

I have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Allison for the period July 1, 2014 through June 30, 2015. The City of Allison's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures I performed are summarized as follows:

1. I reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. I reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. I reviewed the City's fiscal year 2015 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. I reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. I reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.

9. I reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. I reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. I reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. I reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. I reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. I reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. I reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. I reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, I identified various recommendations for the City. My recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had I performed additional procedures, or had I performed an audit of the City of Allison, additional matters might have come to my attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Allison and other parties to whom the City of Allison may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Allison during the course of my agreed-upon procedures. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Charles City, Iowa
November 16, 2015

Detailed Recommendations

**CITY OF ALLISON, IOWA
DETAILED RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2015**

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - recordkeeping, preparing and distributing.
- (5) Utilities - billing, collecting, depositing and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Journal entries - preparing and journalizing.

Recommendation - I realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (B) Centralized Bookkeeping - Countersignature of Checks - The bookkeeping and custody of records for the Library Building and Ambulance Equipment funds are maintained by individuals outside the City Clerk's office. These transactions and the resulting balances are not recorded in the Clerk's records. Chapter 384.20 of the Code of Iowa states in part that "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any city purpose".

Recommendation - For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be recorded in the Clerk's records.

- (C) Management Financial Information - The Clerk's financial reports to the City Council included cash and investment balances and year-to-date receipts and disbursements, but did not include a summary of beginning balance, receipts, disbursements, transfers and ending balance by fund.

Recommendation - To provide better financial information, the monthly reports should include the beginning balance, receipts, disbursements, transfers and ending balance for each fund.

- (D) Monthly Receipts and Disbursements - Monthly receipts and disbursements recorded in the general ledger for the month reviewed did not reconcile to the bank statement deposits and payments.

Recommendation - The City should perform reconciliations to ensure general ledger and bank statement balances reconcile.

**CITY OF ALLISON, IOWA
DETAILED RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2015**

- (E) Countersignature of Checks - The City requires checks to be signed by two authorized individuals. I noted a check with only one authorized signature. I also noted a check with a stamped signature.

Recommendation - Checks should be prepared and signed by one individual and then the supporting documentation should be made available along with the check to a second independent individual for review and countersignature.

- (F) Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jerry Platter, Council Member Owner of Star Graphics	Supplies	\$ 1,426
Russell Miller, Spouse of Glenda Miller, Co-owner of Miller Building and Supplies	Supplies	6,260

In accordance with Chapter 362.5 (k) of the Code of Iowa, transactions with Star Graphics do not appear to represent conflicts of interest since total transactions were less than \$2,500 during the fiscal year.

The transactions with Miller Building and Supplies may represent a conflict of interest since total transactions were more than \$2,500 during the fiscal year and transactions were not competitively bid.

Recommendation - The City should consult legal counsel to determine the disposition of this matter.

- (G) Annual Financial Report - The Annual Financial Report (AFR) beginning balance does not agree with the AFR ending balance of the prior year. In addition, the AFR Debt Schedule omitted a new bond issue as well as principal payments on another debt issue.

Recommendation - The City should review and verify the AFR before finalizing it to ensure the City's figures and AFR's figures are in balance of each other.

- (H) Financial Condition - The Debt Service Fund had a deficit balance of \$881 at June 30, 2015.

Recommendation - The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.

- (I) Certified Budget - Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public works, general government, debt service and the business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

CITY OF ALLISON, IOWA
DETAILED RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2015

- (J) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation - Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations, document their review and monitor delinquent accounts.

- (K) Delinquent Utilities - The City has not been fully enforcing the ordinance pertaining to delinquent utilities. I noted that shut-offs were not being implemented when accounts become fully delinquent.

Recommendation - The City should comply with its ordinance pertaining to delinquent utilities. This will also result in improvement of cash flow by collecting delinquent accounts.

- (L) Utility Billings - The City does not appear to be charging sales tax on sewer and solid waste services provided to non-residential commercial operations.

Recommendation - The City should assess sales tax on sewer and solid water services provided to non-residential commercial operations in accordance with section 701-26.72 of the Iowa Department of Revenue and Finance Administrative Rules and Regulations.

- (M) Council Minutes - The specific exemption under Chapter 21.5 of the Code of Iowa was not identified and documented for the closed session held May 11, 2015.

Recommendation - The City should comply with the Code of Iowa and document the specific exemption for the closed session.

- (N) Salary Resolution - The City's salary resolution listed an incorrect amount for Deputy Clerk Chris Graser.

Recommendation - The City should review the resolution to ensure the amounts are correct.

- (O) Local Option Sales Tax - The City is not keeping a schedule of the local option sales tax balances according to the approved resolution percentages.

Recommendation - The City should maintain and update a schedule of all local option sales tax receipts and disbursements to ensure disbursements are in accordance with the resolution.

- (P) Adjusting Journal Entries - Adjusting journal entries are not approved prior to entry in the general ledger.

Recommendation - Proposed journal entries should be provided to the Council for approval.